

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7721**

**BILL NUMBER: SB 561**

**NOTE PREPARED: Jan 16, 2007**

**BILL AMENDED:**

**SUBJECT:** Public Safety Deferred Retirement Option Plan.

**FIRST AUTHOR:** Sen. Mishler

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill permits a member of the 1925 Police Pension Fund, the 1937 Firefighters' Pension Fund, the 1953 Police Pension Fund (Indianapolis), or the 1977 Police Officers' and Firefighters' Pension and Disability Fund who retires because of a disability more than 12 months after the date the member enters the Deferred Retirement Option Plan (DROP) to choose whether to receive a retirement benefit calculated as if the member: (1) had never entered the DROP; or (2) exited the DROP on the date the member retires because of the disability. It allows a member who became disabled while in the DROP and was required to retire as if the member had never entered the DROP to make an election to have the member's benefit actuarially adjusted and recalculated as if the member had exited the DROP on the date the member retired because of the disability

**Effective Date:** July 1, 2007.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** This bill would permit members of the local police and fire funds and the 1977 Police and Fire Fund who become disabled while in the DROP to have their benefits determined as though they were never in the DROP or, if they had entered the DROP 12 or more months prior to their disability, to choose between the DROP benefits and the benefit calculated as though the members were never in the DROP.

For all the police and fire funds, DROP members continue to be funded as though they are active members. In other words, members in the DROP continue to contribute 6% of the first class salary (until they have 32

years of service) and, in the 1977 Fund, the employer continues to contribute 21% of the first class salary. These contributions continue while the members are in the DROP.

Since the DROP was designed to be actuarially neutral and this legislation does not otherwise increase benefits, this bill would not have any fiscal impact.

**Explanation of Local Revenues:**

**State Agencies Affected:** Public Employees' Retirement Fund as administrators of the 1977 Police Officers' and Firefighters' Pension and Disability Fund.

**Local Agencies Affected:** Those municipalities with members in the affected funds.

**Information Sources:** Doug Todd of McCready & Keane, Inc., actuaries for PERF and the 1977 Police Officers' and Firefighters' Pension and Disability Fund, 317- 576-1508.

**Fiscal Analyst:** James Sperlik, 317-232-9866.